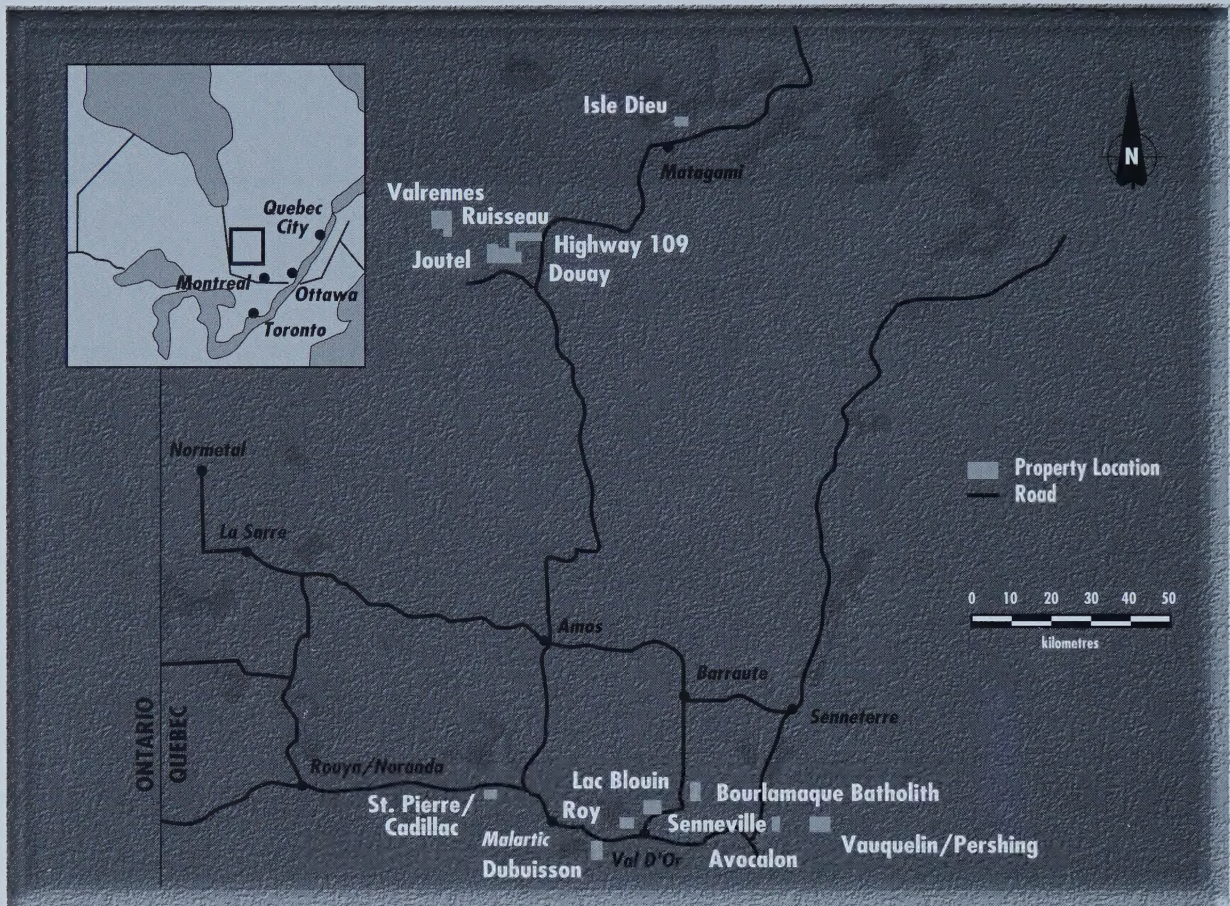


1-18 Business Building
Edmonton, Alberta T6G 2R6

ANNUAL REPORT

NORTHERN ABITIBI MINING CORP.



ANNUAL & SPECIAL MEETING

The Annual & Special Meeting of the common shareholders of Northern Abitibi Mining Corp. will be held at the Queen Elizabeth Hotel, Gatineau Room, 900 Rene-Levesque Blvd. West, Montreal, Quebec, the 24th day of March, 1997 at 4:30 p.m.

REPORT TO THE SHAREHOLDERS

For the last few years, Northern Abitibi Mining Corporation has operated as the exploration arm for Eastern Canada for the Golden Rule Group of Companies. The parent company, Golden Rule Resources Ltd. owns 7,197,426 shares or approximately 34.8% of the 20,704,405 shares that are issued and outstanding as of Dec 31, 1996. In addition, Golden Rule owns 2,500,000 warrants to purchase additional shares of Northern Abitibi Mining Corp. at \$0.50 per share. The exercise of these warrants will provide the Company with substantial exploration funds in the future. Northern Abitibi has been active in acquiring and exploring gold and base metals properties in Quebec and Ontario, and base metals properties in Labrador. Subsequent to the 1996 fiscal year end, the Company initiated an option and joint venture project for diamonds and gold on a highly prospective property in the Republic of Guinea, West Africa with a Guinean company, International Mining Corporation. During 1996 exploration activity was financed by a private placement of 1,250,000 units at \$0.20, each unit consisting of a flow through share and a warrant to purchase an additional share at \$0.25 until May 21, 1998. A further financing is being completed subsequent to fiscal year end to raise about \$900,000 by means of a private placement. These funds will be used to fund the acquisition and exploration of a fifty percent interest in the large diamond and gold concession in the Republic of Guinea.

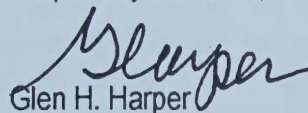
The financial statements of Northern Abitibi are consolidated with those of the parent company. The common shares trade on the Alberta Stock Exchange under the symbol NAI. For fiscal year 1996, Northern Abitibi traded 3,882,100 shares in a range of \$0.11 to \$0.43 per share. The reduced trading activity was mainly due to decreased investor interest in exploration in Labrador in 1996 compared to 1995. Subsequent to fiscal year end, trading activity increased substantially in response to positive exploration results in Quebec and Labrador and the expectations regarding the acquisition of the joint venture property to explore for diamonds and gold in West Africa.

During the 1996 exploration season, Northern Abitibi continued to evaluate its large property portfolio in the Voisey's Bay base metals play in Labrador and the adjacent Quebec base metals properties located at Retty Lake. Relatively small programs were conducted in the Val d'Or gold camp. Total exploration costs were about \$565,000, with the largest proportion being expended on the Quebec properties. In addition, SOQUEM continued to fund exploration on the Douay township gold properties in Quebec, which are optioned from Northern Abitibi, and Donner Resources Ltd. began to explore on its large South Voisey's Bay project, a key portion of which consists of 358 claims optioned from Northern Abitibi.

As a result of the exploration work carried out during the summer of 1996 the Labrador property portfolio will be reduced by allowing certain of the claims to lapse in 1997 as assessment work credits expire. Positive exploration results on the Retty Lake exploration program and on the Roy claims at Val d'Or should result in diamond drill programs in 1997. In addition, SOQUEM plans a \$200,000 diamond drilling program on the Douay project early in 1997. Aurizon Mines Ltd. has entered into an agreement to option the Douay West deposit contiguous to the Northern Abitibi Douay property and are planning to sink a shaft to explore and exploit this gold deposit. Success by Aurizon in this area should positively impact the exploration potential of the southern part of the Douay property where the Douay West structures and mineralization cross onto the Northern Abitibi claims at depth.

Northern Abitibi has entered into an agreement to fund up to \$1,650,000 US over the next two years to earn up to a 50% interest in International Mining Company's 105,000 acre Keroane property in Guinea, West Africa. The property is prospective for alluvial hosted diamonds, diamonds in kimberlite pipes and gold in both alluvial and hardrock environments. Bulk sampling and testing of the alluvial diamond deposits is planned for early 1997 and exploration programs for diamonds and gold are being planned for the dry season. Further property acquisitions are planned for this area of West Africa.

Respectfully Submitted,



Glen H. Harper
Director

Northern Abitibi Mining Corp. is responsible for the exploration programs of the Golden Rule Resources Group of Companies in Eastern Canada. Property interests are held in the Val d'Or mining camp and the Casa Berardi East district in Quebec. In 1996 a major exploration program was conducted on the Voisey's Bay base metals projects in Labrador and the adjoining Retty Lake area of Quebec. Further exploration, including diamond drilling, was conducted by SOQUEM on the optioned Douay Northwest, Highway 109 and Ruisseau projects. A winter geophysical program was completed on the Roy property. No exploration work of any significance was conducted on the other Quebec projects.

DOUAY NORTHWEST PROJECT

Northern Abitibi Mining Corp.	50%
Societe d'Exploration Miniere Vior Inc.	25% *
SOQUEM	25% *

* Option to earn

Northern Abitibi's Douay property consists of 76 claims of 16 hectares each. SOQUEM and Societe d'Exploration Miniere Vior Inc. have an option, negotiated in 1992, to acquire a 50% interest in the Douay property. SOQUEM, the operator, has proposed an 11 hole, 2,500 metre drill program budgeted at approximately \$200,000 to begin in January 1997. Approximately \$950,000 has been spent by Northern Abitibi's partners to date.

SOQUEM has completed the first four years' work commitment. Limited diamond drilling programs were conducted to test targets developed from ground magnetic and induced polarisation geophysical surveys. The drill programs encountered interesting gold bearing intersections over a strike length of 300 metres, which has been named the Douay Northwest Zone. In March of 1996, a five hole diamond drill program was encouraging with the best holes assaying 26.7 g/T gold over 1.4m, 0.32 g/T gold over 32m and 2.29 g/T gold over 1.0 m. Earlier, widely spaced drilling on the Douay Northwest Zone established the presence of three mineralized horizons over a length of 800 metres. The best intersection to date is 10.7 g/t over a width of 5.0m. A wildcat hole 250 metres east of the zone merits follow up, it assayed 2,758 g/t over 0.8m.

Although the results of the last drill program were sub-economic, they do indicate the existence of a new structure which is highly anomalous in gold. The results show an environment strongly anomalous in gold in a structural corridor of at least 600 metres lateral extension.

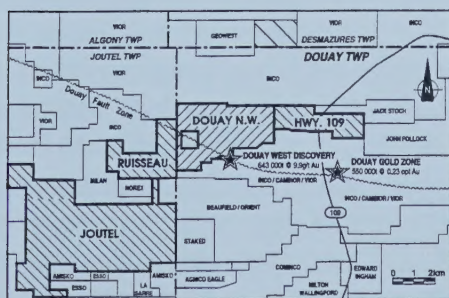
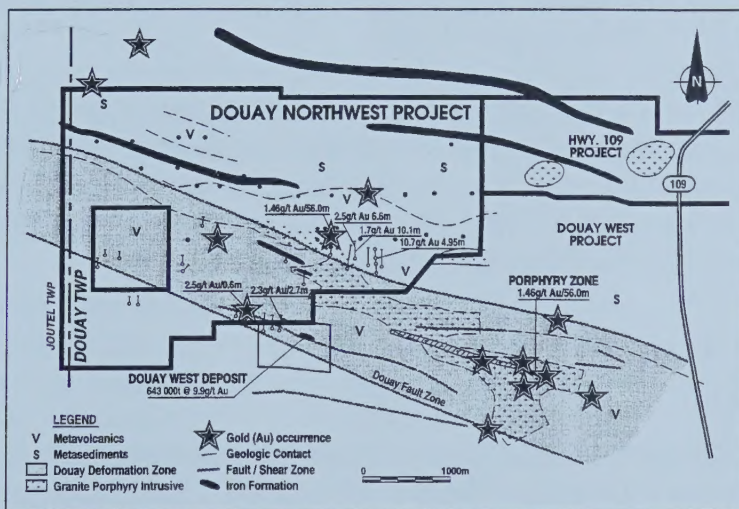
In October 1996, Aurizon Mines Ltd. entered into an agreement with Societe d'Exploration Miniere Vior Inc. to spend \$5,000,000 to go underground on the Douay West gold deposit which is located on the southern claim boundary of the Northern Abitibi Douay Project. Aurizon Mines is sinking a shaft on the Douay West gold deposit which is owned by Vior Exploration. The deposit has a published resource of 642,905 tonnes grading 9.9 grams gold per tonne in a single mineralized lens that is 800 metres long. The structure hosting the deposit and the deposit itself extend in a northwesterly direction onto the Northern Abitibi Douay property at depth. The shaft will be constructed approximately 100 metres from the common boundary. Aurizon has approached Northern Abitibi to acquire an interest in the adjoining claims.

In December, Aurizon completed a six kilometre access road and started construction of a sixteen kilometre power line. A 2000 metre diamond drill program is scheduled to extend the known gold mineralization and includes a pilot hole for shaft sinking purposes. The sinking of the shaft very close to the Northern Abitibi claim boundary is scheduled to start April 1997. Positive results from this project will help advance the exploration work on the Northern Abitibi claims.

SOQUEM has designed a \$200,000 diamond drilling campaign scheduled to begin in January 1997. This eleven hole drill program will follow-up the positive drill holes in the Douay Northwest Zone and will also test the area where the Douay West deposit is anticipated to plunge at depth onto the Northern Abitibi claims.

SOQUEM states that drilling to date has revealed several gold horizons and it has enabled them to establish a geological model for the deposit. They state that previous wide spaced drilling could easily have missed deposits nearly the size of Douay West. Douay Northwest has the potential to host at least 3 mineralized horizons over a minimum length of 800 metres.

It can be concluded that the Northern Abitibi Douay property could host two orebodies namely Douay Northwest and the Douay West extension.



LOCATION MAP

DOUAY NORTHWEST PROJECT

Quebec, Canada

RUISSEAU PROJECT

Northern Abitibi Mining Corp.	50%
SOQUEM (Operator)	50% *
* Option to earn	

SOQUEM has entered into an option agreement to earn a fifty percent participating interest in thirty-five claims in Joutel Township. Under the terms of the agreement, SOQUEM must fund exploration: \$50,000 by October 15, 1993 and \$150,000 by October 15, 1996.

SOQUEM has completed magnetic and induced polarization geophysical surveys over the entire property. A synthesis of all geoscientific data has been completed. To date about \$147,000 has been funded towards the option obligation. During 1996, no further field work was completed.

HIGHWAY 109

Northern Abitibi Mining Corp.	50%
SOQUEM (Operator)	50% *
* Option to earn	

SOQUEM has entered into an option agreement to earn fifty percent participating interest in thirty-one claims in Douay Township. Under the terms of the agreement, SOQUEM must fund exploration: \$50,000 by October 15, 1993 and \$150,000 by October 15, 1996.

SOQUEM has completed geophysical surveys and two diamond drill holes on the property to test geological and geophysical targets. These initial stratigraphic test, together with the magnetic compilation map of the area, will be used to develop new drill targets on the property. A three hole diamond drill program was completed in the winter of 1996. The drill results were negative. To date, SOQUEM has funded about \$76,000 towards the completion of the option obligation.

ROY PROPERTY, Quebec

Northern Abitibi Mining Corp.	100%
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Northern Abitibi Mining Corp. owns a 100% interest in twenty-two claims located in Dubuisson Township. Under the terms of the agreement, Northern Abitibi issued 150,000 shares as the purchase price and the Vendor retains a 1.5% N.S.R. royalty, subject to a buy-out at Northern Abitibi's discretion. The claims are located on Lac Montigny, in the heart of the Val d'Or mining camp, surrounded by producing or past producing gold mines. As only very limited evaluation work has been completed on the property, the potential for discovering another gold deposit on this property is very high. The claims lie between the Sullivan Mine and Siscoe Mine, both former gold producers. In 1996, an Induced Polarization geophysical survey was completed in order to identify the "K-shear", the major structure controlling gold mineralization in this area. The presence of tailings on the bottom of the lake made the interpretation of these results problematic. As a result, a detailed magnetometer survey is scheduled for the winter of 1997. This survey is designed to map the structures and to locate any areas of intrusive rocks associated with the shear zone. Once this survey is completed, a diamond drill program will be designed to test the drill targets.

RETTY LAKE, Quebec

Northern Abitibi Mining Corp. 100%

As an extension of its Voisey's Bay area exploration program, Northern Abitibi acquired two Mineral Exploration Licences covering a total area of 800 square kilometres by application from the Quebec Mining Department. The Licences comprise 400 square km on NTS map sheet 230/1 and 400 square km on NTS map sheet 230/8, located north of the first permit and contiguous with it. Retty Lake lies about 250 km SW of Voisey's Bay, in the Labrador Trough about 50 km NE of Schefferville.

The Licence area covers a belt of gabbro, ultramafics and metasediments of Upper Proterozoic age in a setting broadly similar to the Voisey's Bay deposit. It also appears to lie on the trend of mineralization that includes Falconbridge's Raglan nickel-copper deposit (18 million tons 3.1% nickel and 0.9% copper) and the Hawk Ridge project of Troymin Resources Ltd. There are 16 significant nickel-copper showings known on the permits, along with many smaller occurrences.

Northern Abitibi Mining Corp. flew a precision helicopter magnetic survey over the prospective area of the permits in April of 1996. The survey was flown on lines 200 metres apart and totalled 3,230 line kilometres of detailed magnetic data. In conjunction with pre-existing airborne data, this new magnetic survey allowed accurate location of 24 anomalous responses interpreted to represent sulphide mineralization in bedrock.

Based on the geophysical survey, the company followed up on 17 areas of mineralization using soil and rock geochemistry and geological mapping. This work was done in August and September 1996, and included the collection of 1,235 soil samples and 139 rock samples on 17 individual grids. Significant values for copper and/or nickel were obtained in 48 samples. The majority of these also contained anomalous values for platinum and palladium.

In the Lac Thompson area, north of Retty Lake, a 1-2 metre wide band of disseminated sulphides occur in a peridotite sill along a strike length of one kilometre. Geochemical surveys suggest that the zone probably extends another 500 metres. Individual grab samples of partially oxidized material returned values as high as 1,420ppm Copper and 1,089ppm Nickel. To the southwest in the Retty Lake - Hyland Lake area, similar mineralization in peridotite has been traced in one zone for approximately three kilometres across widths of 1-2 metres. Individual samples contain up to 2,507 ppm Copper and 1,815 ppm Nickel with values of 61 and 207 ppb in platinum and palladium respectively. A second zone hosted by the same peridotite unit is located four kilometres to the south. This zone is 2-10 metres wide and has a minimum strike length of 100 metres. Values for copper and nickel range up to 3,086 and 1,732 ppm respectively with platinum and palladium values of 92 and 305 ppb.

Further to the south in the Lac Willbob - Doublet Lake area, a band of massive pyrrhotite, 1-2 metres thick, with minor chalcopyrite has been traced semi-continuously for over twenty kilometres. Locally, minor values for copper were obtained. The company plans to complete ground geophysical surveys in the Lac Thompson and Hyland Lake-Retty Lake areas in March 1997, followed by diamond drilling in favourable localities.

JOUTEL PROJECT**EASTERN CANADA PROJECTS**

	<u>Project</u>	<u>Ownership</u>		<u>Exploration Status</u>
1.	Isle Dieu, PQ	Northern Abitibi	50%	Diamond drilling - Cu intersection
		Hixon Gold	50%	
2.	Avocalon, PQ	Northern Abitibi	100%	Drilling, Au in shear zone
3.	Dubuisson, PQ	Northern Abitibi	50%	Drilling, Au zone outlined
		Stade Exploration	50%	
4.	Senneville, PQ	Northern Abitibi	100%	Drilling, Au in vein
5.	Lac Blouin, PQ	Northern Abitibi	100%	Geophysics
6.	Vauquelin/ Pershing, PQ	Northern Abitibi	100%	Geophysics, geochemistry, drilling
7.	Bourlamaque Batholith, PQ	Northern Abitibi	100%	Geophysics, RC drilling
8.	Douay, PQ	Northern Abitibi	50%	Geophysics, RC drilling,
		SOQUEM/Vior	50% *	diamond drilling
9.	Joutel, PQ	Northern Abitibi	75%	Geophysics, drilling, base
		Manson Creek	25%	metal anomaly, kimberlite targets
10.	Valrennes, PQ	Northern Abitibi	100%	Geophysics, diamond drilling
11.	Highway 109, PQ	Northern Abitibi	50%	Geophysics, RC drilling,
		SOQUEM	50% *	diamond drilling
12.	Ruisseau, PQ	Northern Abitibi	50%	Geophysics, diamond drilling
		SOQUEM	50% *	
13.	St. Pierre/ Cadillac, PQ	Northern Abitibi	100%	Geology, geophysics
14.	Roy, PQ	Northern Abitibi	100%	Geophysics 1996, drilling 1997
15.	Retty Lake, PQ	Northern Abitibi	100%	Land Acquisition, geophysics 1996,
16.	Shoal Lake, Ont.	Northern Abitibi	50%	Geophysics, geology, diamond
		Tyler Resources Inc.	50%	drilling
17.	Ross Lake, Lab.	Manson Creek	25%	Geophysics, sampling 1995
		Athlone Resources	25%	more work 1996
		Northern Abitibi	50%*	
18.	Pisolet Bay, Lab.	Manson Creek	25%	Geophysics 1995, ground
		Athlone Resources	25%	evaluation 1996
		Northern Abitibi	50%*	
19.	Shapio Lake, Lab.	Manson Creek	25%	Geophysics, sampling 1995
		Athlone Resources	25%	
		Northern Abitibi	50%*	
20.	Mist, Lab.	Manson Creek	25%	Geophysics, sampling 1995
		Athlone Resources	25%	
		Northern Abitibi	50%*	
21.	Harp North, Lab.	Northern Abitibi	50%	Geophysics, sampling 1996
		Donner Resources	50%	drilling 1997
22.	Main Lake, Lab.	Northern Abitibi	100%	Geophysics, sampling 1996
23.	Fazy Lake, Lab.	Northern Abitibi	100%	Geophysics, sampling 1996
24.	Kyfanan Lake, Lab.	Clark-Eveleigh	30%	Land acquisition, geophysics 1996
		Northern Abitibi	70%	

* Option to earn.

LABRADOR PROJECTS

Early in the 1995 exploration season, as a direct result of the very exciting discovery of high grade nickel-copper-cobalt mineralization at Voisey's Bay, Labrador by Diamond Field Resources Ltd., Northern Abitibi acquired eight properties in Labrador. Four of these properties were acquired by option from a 50/50 joint venture between Manson Creek Resources Ltd. and Athlone Resources Ltd. Northern Abitibi conducted exploration programs including airborne magnetometer and electromagnetic surveys, ground geophysics, mapping and sampling on all but one of these properties to assess their potential to host favourable troctolite rocks, and the high grade nickel-copper-cobalt world class deposit discovered at Voisey's Bay.

Northern Abitibi's 1995 and 1996 exploration in the Voisey's Bay area of Labrador had led to the discovery of a favourable troctolite environment on one of the properties acquired by the company. The Harp North property has been optioned to Donner Resources Ltd. and now forms part of their South Voisey's Bay project. Donner must complete a series of staged payments and exploration work totalling 120,000 Donner shares, \$50,000 cash and \$330,000 in exploration work on Northern Abitibi's Harp North property by May 31, 1999 to earn a 50% participating interest. Donner is well financed to complete this work and has advised Northern Abitibi that they plan a \$500,000 exploration program on these claims in 1997.

HARP NORTH, Labrador

Northern Abitibi Mining Corp.	50%
Donner Resources Ltd.	50%*

* option to earn

This property, comprising 358 claims located between the Harp Lake Pluton and the main part of the Nain Plutonic Suite, was purchased by Northern Abitibi. for \$54,000 and 360,000 shares. The claims are near to the very important Nain-Churchill break and were intended to cover an irregularly shaped gabbroid outlier of the Nain Plutonic Suite. Mapping by Northern Abitibi confirms the claims to be underlain mainly by anorthosite of the Nain Plutonic Suite, with an area of troctolite at the south end which coincides with a high priority E-M response. The property was flown with magnetometer and electromagnetics over 509 line-km by Dighem, locating seventeen anomalies. A remote sensing study of the area identified twenty-seven iron oxide gossans on the property, nine of which either coincide with or are on the trend of a Dighem anomaly. Most of the Dighem anomalies were followed up on the ground with a combination of geology, ground magnetics, geochemistry (165 samples) and rock sampling (19 samples). Six unexplained anomalies, of which two are rated moderate and four high priority for follow-up, require further work.

As a result of the positive exploration results the option agreement with Donner Resources Ltd. was negotiated. Donner has assembled over 4000 claims in this area which has been named the South Voisey's Bay Project. Property acquisition agreements have been negotiated with eleven different owners, and Donner has been financed by Teck Corporation. Exploration work in 1996 included diamond drilling and has shown that Donner's South Voisey's Bay Project hosts a regionally extensive troctolite sheet

similar to the feeder system at Voisey's Bay. Teck has agreed to purchase \$1,750,000 in Donner shares in order to fund the 1997 exploration. Donner has also agreed to grant to Teck the exclusive right and option to acquire up to 50% of Donner's property interests. Exploration work has identified Nickel-Copper-Cobalt mineralization as disseminated sulphides in several areas of the property.

Altimira's Triax Fund purchased a further \$3,220,000 in Donner flow-through shares in late October. Donner will budget over \$5,000,000 for the South Voisey's Bay Project for 1997. A significant portion of the budget is dedicated to the claims optioned from Northern Abitibi.

REPUBLIC OF GUINEA, West Africa

Northern Abitibi Mining Corp.	50%*
International Mining Company	50%

* option to earn

Northern Abitibi Mining Corp. has entered into a Letter of Intent with International Mining Company S.A. ("IMC") of Conakry, Republic of Guinea, West Africa to earn up to a fifty percent (50%) participating interest in a Prospecting Permit and five Exploration Permits located in the Keroane diamond mining district of eastern Guinea. Northern Abitibi will provide a total of up to \$1,650,000 U.S. to IMC during the period ending July 31, 1998 in order to earn up to a 50% Participating Interest in the 422 sq. km (105,000 acres) property. In addition, Northern Abitibi shall issue 1,000,000 of its common shares to IMC. A facilitator fee of 100,000 common shares is payable to an arms-length party. The issuance of the shares is subject to the usual regulatory approvals.

Several small scale diamond mining operations are currently in production in the Keroane District. The diamonds are characterized by their large size and high quality. The recently decreed new Guinea Mining Code and the reformed fiscal and tax regime in Guinea has resulted in several foreign companies initiating exploration for both gold and diamonds. The leading diamond mining project is operated by Trivalence Mining Corporation ("Trivalence"), a Vancouver listed company which has recently purchased the Aredor diamond mine at Gbenko and has initiated production of the alluvial hosted diamonds. The IMC property adjoins the Aredor property to the east. Hymex Diamond Corporation, also listed on Vancouver, is currently expanding its alluvial diamond operations located adjacent to the IMC property to the south.

The IMC property has been explored and sampled for diamonds and gold in the past by the Russians and this database is available. The Russian sampling suggests reserves of several million carats of diamonds, based on several hundred samples. In addition to the alluvial deposits, there is evidence that several kimberlite pipes are located on the property. IMC is currently conducting a small scale alluvial diamond test mining operation in one sector of the property. The initial funding by Northern Abitibi will be used to expand this operation by acquiring a much larger diamond processing plant, two Cat 225 Excavators, a Cat 966 Front End Loader and related equipment and spares. Once this expansion is completed, the various alluvial diamond deposits will be bulk sampled and tested for their commercial diamond and gold potential.

Concurrent with the expansion of the IMC diamond mining operation, a fully integrated exploration program will be designed to evaluate priority areas of the property for alluvial diamond and gold deposits, kimberlite pipes and dykes and gold in bedrock deposits. This exploration program is currently being designed and should get underway in the new year.

BOARD OF DIRECTORS' REPORT

The Board of Directors extends a welcome to all Northern Abitibi shareholders. The preceding pages of this Annual Report describe your Company's growth and progress over the last year. We hope this information helped to give you a comprehensive overview of your Company.

The Board of Directors of Northern Abitibi Mining Corp. confirms that the Annual Report has been prepared and presented by the Board of Directors of Northern Abitibi Mining Corp. and all information included in the report, including the financial statements, has been approved by the Board.

The Board also confirms that the financial statements in this Annual Report have been prepared by the Management in accordance with generally accepted accounting principles. Other financial information in this report is consistent with the financial statements. Our auditors, Doane Raymond, are responsible for auditing the financial statements and for giving an opinion on them.

Auditors' Report

To the Shareholders of
Northern Abitibi Mining Corp.

We have audited the balance sheets of Northern Abitibi Mining Corp. as at September 30, 1996 and 1995 and the statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
November 18, 1996


Chartered Accountants

Northern Abitibi Mining Corp.

Balance Sheets

September 30

1996

1995

ASSETS

CURRENT

Cash	\$ 105,815	\$ 478,327
Accounts receivable	45,983	168,617
	<u>151,798</u>	<u>646,944</u>

Investments, at cost (market value - \$94,000)	54,000	-
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MINERAL PROPERTIES Note 3	2,818,931	3,491,778
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	<u>\$ 3,024,729</u>	<u>\$ 4,138,722</u>
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LIABILITIES

CURRENT

Accounts payable and accrued liabilities	<u>\$ 275,538</u>	<u>\$ 333,460</u>
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SHAREHOLDERS' EQUITY

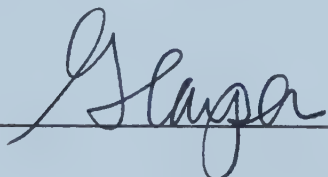
CAPITAL STOCK Note 4	5,378,697	5,131,371
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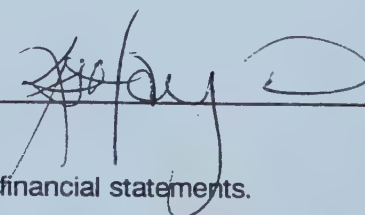
DEFICIT	(2,629,506)	(1,326,109)
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	<u>2,749,191</u>	<u>3,805,262</u>
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	<u>\$ 3,024,729</u>	<u>\$ 4,138,722</u>
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Approved on behalf of the Board

 Director

 Director

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.
Statements of Operations and Deficit
Years Ended September 30

1996

1995

REVENUE

Interest and other income	\$ 10,690	\$ 19,419
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EXPENSES

General and administrative	21,822	21,518
Professional fees	7,344	7,304
Reporting to shareholders	6,418	5,292
Stock exchange and transfer agent fees	4,579	4,314

40,163 38,428

Loss before the undernoted (29,473) (19,009)

Abandonment and write-down of mineral properties (1,273,924) -

NET LOSS (1,303,397) (19,009)

DEFICIT, beginning of year (1,326,109) (1,307,100)

DEFICIT, end of year \$ (2,629,506) \$ (1,326,109)

LOSS PER SHARE (7.4)¢ (0.2)¢

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.

Statements of Changes in Financial Position

Years Ended September 30

1996

1995

FINANCIAL RESOURCES WERE PROVIDED BY:

OPERATING ACTIVITIES

Cash used in operations

Net loss \$ (1,303,397) \$ (19,009)

Items not involving cash

Abandonments and write-down of mineral properties 1,273,924 -

(29,473) (19,009)

Net change in non-cash operating

working capital 64,712 165,479

35,239 146,470

FINANCING ACTIVITIES

Issue of shares for cash

247,326 1,175,285

Issue of shares for mineral properties

- 445,084

247,326 1,620,369

FINANCIAL RESOURCES GENERATED FROM OPERATING AND FINANCING ACTIVITIES

282,565 1,766,839

FINANCIAL RESOURCES WERE USED IN:

FINANCING ACTIVITIES

Due to parent

- 63,089

INVESTING ACTIVITIES

Investments

54,000 -

Option payment

(64,000) -

Mineral property additions

665,077 1,278,209

FINANCIAL RESOURCES USED IN FINANCING AND INVESTING ACTIVITIES

655,077 1,341,298

INCREASE (DECREASE) IN CASH

(372,512) 425,541

CASH, beginning of year

478,327 52,786

CASH, end of year

\$ 105,815 \$ 478,327

See accompanying notes to the financial statements.

Northern Abitibi Mining Corp.

Notes to the Financial Statements

September 30, 1996 and 1995

1. NATURE OF OPERATIONS

Northern Abitibi Mining Corp. is engaged exclusively in the business of mineral exploration, development and production. The majority of the Company's activities to date have been conducted in Canada and, as a result, segmented information is not presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Mineral Properties

Costs relating to the acquisition, exploration and development of mineral properties and deferred administrative expenses are capitalized on an area of interest basis. These expenditures will be charged against income, through unit-of-production depletion, when properties are developed to the stage of commercial production. Where the Company's exploration commitments for an area of interest are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned, the related costs are charged to operations.

The amounts shown for mineral properties represent costs to date and do not necessarily reflect present or future values.

Development of mineral properties and recovery of related costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

b) Flow-through Common Shares

The Company credits the full amount of the proceeds of flow-through shares, which transfer the deductibility of exploration expenses to the investor, including the premium paid for such tax deductions, to capital stock.

c) Joint Ventures

Certain of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Northern Abitibi Mining Corp.
Notes to the Financial Statements
September 30, 1996 and 1995

3. MINERAL PROPERTIES

	<u>Mineral Claims and Permits</u>	<u>Exploration and Development Expenditures</u>	<u>Total</u>
Balance, September 30, 1994	\$ 1,135,965	\$ 1,077,604	\$ 2,213,569
Costs incurred	<u>775,379</u>	<u>502,830</u>	<u>1,278,209</u>
Balance, September 30, 1995	1,911,344	1,580,434	3,491,778
Costs incurred	85,073	580,004	665,077
Abandonments and write-downs	(652,611)	(621,313)	(1,273,924)
Option payments	<u>-</u>	<u>(64,000)</u>	<u>(64,000)</u>
Balance, September 30, 1996	<u>\$ 1,343,806</u>	<u>\$ 1,475,125</u>	<u>\$ 2,818,931</u>

Approximately \$778,000 (1995 - \$778,000) of the foregoing mineral claim costs resulting from acquisition agreements and \$1,024,000 (1995 - \$774,000) of the foregoing exploration expenditures, funded from the proceeds of flow-through share issues, have no cost base for income tax purposes.

Northern Abitibi Mining Corp.
Notes to the Financial Statements
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4. CAPITAL STOCK

- a) **Authorized:**
Unlimited number of common shares without par value.

- b) **Issued and to be issued:**

	<u>September 30, 1996</u>		<u>September 30, 1995</u>	
	<u>Number of Shares</u>	<u>Stated Value</u>	<u>Number of Shares</u>	<u>Stated Value</u>
Balance, beginning of year	17,259,405	\$ 5,131,371	9,870,405	\$ 3,511,002
Issued for cash pursuant to a private placement of flow-through shares, net of expenses of issue of \$2,674	1,250,000	247,326	-	-
Issued for cash pursuant to private placement with Golden Rule, net of expenses of issue of \$5,682	-	-	5,000,000	994,318
Issued for cash on exercise of employee stock options, net of expenses of issue of \$1,383	-	-	887,000	180,967
Issued for mineral properties, net of expenses of issue of \$5,516	-	-	1,502,000	445,084
Balance, end of year	<u>18,509,405</u>	<u>\$ 5,378,697</u>	<u>17,259,405</u>	<u>\$ 5,131,371</u>

Northern Abitibi Mining Corp.
Notes to the Financial Statements
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4. CAPITAL STOCK (Continued)

c) Outstanding warrants and options:

As at September 30, 1996 and 1995 the Company has outstanding stock options and warrants as follows:

i) Incentive stock options granted to management and directors:

<u>Expiry Date</u>	<u>1996</u>		<u>1995</u>	
	<u>Number of Shares</u>	<u>Price</u>	<u>Number of Shares</u>	<u>Price</u>
October 14, 1999	100,000	\$ 0.25	100,000	\$ 0.25
April 26, 2000	755,000	0.25	755,000	0.25
June 14, 2000	200,000	0.30	200,000	0.30
	<u>1,055,000</u>		<u>1,055,000</u>	

Subsequent to September 30, 1996, options to purchase 195,000 shares at \$0.25 per share were exercised.

ii) Warrants

<u>Expiry Date</u>	<u>1996</u>		<u>1995</u>	
	<u>Number of Shares</u>	<u>Price</u>	<u>Number of Shares</u>	<u>Price</u>
May 2, 1997	2,500,000	\$ 0.50	2,500,000	\$ 0.50
May 21, 1998	1,250,000	0.25	-	-
	<u>3,750,000</u>		<u>2,500,000</u>	

Northern Abitibi Mining Corp.
Notes to the Financial Statements
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5. RELATED PARTY TRANSACTIONS

Golden Rule Resources Ltd. (Golden Rule), the parent company, its affiliates and corporations in which certain of the Company's officers and directors are shareholders incurred exploration expenditures on the Company's behalf and provided services, at usual professional rates, as presented below.

	<u>1996</u>	<u>1995</u>
Geological and exploration	\$ 56,000	\$ 170,000
Rent, interest and direct administrative	27,000	29,000
	<u>\$ 83,000</u>	<u>\$ 199,000</u>

Included in accounts payable is \$56,991 (1995 - \$110,571) due to Golden Rule with respect to the foregoing and exploration programs.

The following amounts, due to or from, Hixon Gold Resources Inc., a corporation related through common management and directors, are included in accounts receivable and accounts payable respectively at year end as presented below. The amounts relate to a reciprocal funding agreement.

	<u>1996</u>	<u>1995</u>
Accounts receivable	\$ -	\$ 100,000
Accounts payable	\$ 100,000	\$ -

6. INCOME TAXES

- a) The Company has incurred losses for income tax purposes of approximately \$281,000, the related benefit of which has not been recognized in the financial statements. Unless sufficient taxable income is earned in future years these losses will expire at various dates to 2003.
- b) The Company has available the following amounts which may be deducted, at the annual rates indicated in determining taxable income of future years.

	<u>1996</u>	<u>1995</u>	<u>Rate</u>
Canadian exploration expenses	\$ 1,050,000	\$ 820,000	100%
Canadian development expenses	1,379,000	1,358,000	30%
	<u>\$ 2,429,000</u>	<u>\$ 2,178,000</u>	

Northern Abitibi Mining Corp.
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7. SUBSEQUENT EVENT

Subsequent to year end, pursuant to a private placement, the Company issued 2,000,000 units at a price of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant to purchase an additional common share at a price of \$0.25 for a period of two years.

Corporate Information

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